

## 2013-2014 Electric Rates

Date of this Brief	August 14, 2012		
Supersedes			
Key Contacts	Name(s)	Phone	Short Title
	Jeff Bishop	4-4649	Chief Financial Officer, SCL
	Paula Laschober	4-3168	Finance Director, SCL
	Kirsty Grainger	4-3713	Mgr, Financial Plan. Unit, SCL
Council Action Required?	Y	If YES, within the next 3 months?	Y
Public Hearing Required?	Y		
Presenters (if applicable)	Jorge Carrasco, Jeff Bishop, Paula Laschober		

### Summary Statement

This ordinance increases City Light rates by an average of 4.4% in 2013 and 5.6% in 2014, which are the percentages included in City Light's Strategic Plan, adopted by the Council in July 2012.

### Background

The City Light Strategic Plan adopted by Resolution 31383 yields a rate path for the years 2013 to 2018. Consistent with the revenue requirement indicated by the Strategic Plan, City Light is proposing rate changes averaging 4.4% and 5.6% that would take effect on January 1, 2013, and January 1, 2014, respectively. Actual changes in various customer class charges are the result of a full cost of service and rate design analysis, and therefore will not equal the average system rate change for each year. In a full rate review, cost of service analysis allocates the revenue requirement across customer classes, and then rate design sets the fees and charges for each customer class to collect their portion of the revenue requirement. The last full rate review was in 2006 for the 2007-2008 rates; subsequent rate adjustments have been implemented as across-the-board increases.

The 2012 rate review analysis identified a number of changes in cost of service, which will result in disparate rate impacts to various customer classes. The cost of service methodology is unchanged from the last full rate review, but the cost of providing distribution has grown, while energy costs have declined. As a result, residential and network customers are seeing larger rate increases than large industrial and commercial customers whose bills are more energy cost driven.

Rate design principles are also consistent with the previous rate review. Peak demand charges have been increased so that they recover a greater portion of marginal distribution costs than in 2007-2008. This reflects the Department's intent to continue to move

towards sending an appropriate price signal to customers for the cost of maintaining system capacity to meet peaking demand.

City Light completed the second stage of the Aurora undergrounding project, as requested by the City of Shoreline, several months ago, and has added a rate to recover those costs to the rate schedules of Shoreline customers. Using the same methodology for establishing rates to be charged to suburban customers for undergrounding projects requested by suburban jurisdictions as has been used and approved for similar projects in the past, the rate was set at \$.0018/kWh for standard customers and \$.0007/kWh for low-income residential customers. The total cost for this project was \$9,781,243. This amount will be collected from Shoreline customers, per the terms of the franchise agreement, over 25 years.

In addition to the new 2013 and 2014 rates, a few minor technical changes are proposed.

#### **Key Issues**

Rate increases are always a concern, but these are modest, and their implementation will avoid the need for large “spiky” increases such as the 13.8% increase implemented January 1, 2010.

#### **Next Steps**

Council EEC public hearings Aug. 14 and Sept. 11  
Full Council vote Sept. 17